

Testimony from State Representative Anthony G. Forlini (District 24)
Before the House Committee on Insurance
Thursday, June 9, 2011

Good morning members of the House Committee on Insurance. I would like to thank you for conducting this hearing on a very important issue that greatly affects many residents of our riparian communities. I am pleased to have joining me today U.S. Congresswoman Candice Miller, who represents lakefront areas from Macomb County through the thumb area.

The Michigan Department of Environmental Quality (DEQ) estimates that 6% of Michigan's land area is in the flood plain. I represent the 24th district, which is the proud home to Lake St. Clair, a large lake leading into Lake Huron. My communities of St. Clair Shores and Harrison Township in Macomb County encompass a large area in the flood plain of both the Clinton River and Lake St. Clair.

As you may know, the federal government requires property owners in the flood plain to purchase a flood insurance policy through the National Flood Insurance Program. Currently, Michigan residents pay nearly five times as much in flood insurance premiums than they have received over a 30 year span.

These flood insurance premiums have been set without using sound actuarial rates. Michigan residents have been burdened with subsidizing the premiums of residents in southern states that have a long history of repeated, high cost flood events. For example, New Orleans continues to rebuild below sea level. The village of Lillydale, Mississippi relatedly flooded and rebuilt for years before finally moving to higher ground on a bluff.

On April 18, 2011, I hosted a work group from the House Committee on Natural Resources in Harrison Township to discuss the flood insurance issue. With a bi-partisan group of state legislators and U.S. Congresswoman Candice Miller in attendance, we had a briefing from DEQ on flood mapping and insurance. Residents shared their experiences with flood insurance. Universally, they condemned the program as fundamentally flawed and unfair to Michigan residents.

When asked whether they would purchase flood insurance from NFIP unless required, not a single resident raised their hand.

Here are a few of the issues raised at the meeting:

- FEMA has been slow to update flood maps to reflect years of lower water levels on Lake St. Clair. Frequently maps are drawn without anyone actually surveying the area.
- Realtors and homeowners have a difficult time selling homes due to the high cost of flood insurance policies. In our area, there are many older homes that would sell for \$100,000 or less. For potential homebuyers making a modest purchase, realtors have found that exorbitant flood insurance rates of \$1800 or more are what price buyers out of the market in lakefront communities.
- Home seller disclosure forms only indicate whether the current owner has a flood insurance policy. Most homeowners who are done paying for their mortgage do not purchase a flood insurance policy, regardless of inclusion in the flood plain. So, new buyers purchasing from retirees selling their homes may

mistakenly be led to believe they will not need flood insurance. This can result in homebuyers starting out already unable to afford their monthly payments.

- Residents are informed by their mortgage companies when their property has been drawn into a new flood map. There is no process by which they are informed in a timely way when their property is no longer in the flood map. Therefore, homeowners may be continuing to pay for flood insurance unnecessarily for additional years.
- Residents whose properties are in the flood plain do not receive discounts on their flood insurance if remediation of flood risk has been undertaken by themselves or their neighborhood association. For example, condominium owners informed of installing a new drainage system to address heavy volume rain events, with no drop in their flood insurance rates.
- Mortgage providers have frequently been requiring homeowners to purchase flood insurance coverage for the full value of their property. NFIP only requires coverage for the value of the mortgage. Homeowners testified that their lender did not disclose that they were being asked to purchase more than federal requirements. I have also heard from a resident who has been required to pay flood insurance coverage up to the maximum line of home equity credit, when he has never used more than 50% of the credit line.
- Individuals who seek assistance with a Letter of Map Amendment (LOMA) to contest their inclusion in the flood plain may be preyed upon by unscrupulous surveyors. There are no professional standards or state licensing for people who assist with LOMA's. Residents have no website or phone number to reference to verify the integrity of these individuals.

Our local residents are fed up with the National Flood Insurance Program. While I recognize the need for flood insurance, the federal government has failed to provide a program that is fair for Michigan residents. Legislators in southern states that have been benefiting from our premiums paid here in Michigan have no vested interest in making an equitable system.

Furthermore, the federal government has overestimated the risk of costly flood events to Michigan residents. NFIP has failed to factor in the many mitigation efforts lakefront communities have made to lower their risk of devastating flood events.

I am here today asking for your support for the substitute for House Resolution 62, which memorializes the Congress of the United States to make significant reforms to the National Flood Insurance Program. This resolution acknowledges House Resolution 435, sponsored by Congresswoman Candice Miller, which would authorize states to work together to provide flood insurance they deem appropriate. By regionalizing a flood insurance program we could potentially group together states with similar flooding patterns to eliminate the heavy cross-subsidization by Michigan residents.

I am sure you can agree that something must be done to deliver a flood insurance program that better meets the needs of Michigan's homeowners.